STATE BOARD OF ACCOUNTS 302 West Washington Street Room E418 INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT

OF

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.

July 1, 2004 to June 30, 2006





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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Governor	Hon. Joseph E. Kernan Hon. Mitchell E. Daniels, Jr.	09-13-03 to 01-09-05 01-10-05 to 01-11-09
Secretary Administrator	Charles R. Martindale Danielle Chrysler Jill Burleson	10-14-03 to 01-09-05 01-10-05 to 08-01-06 08-02-06 to 01-11-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.

We have examined the financial information presented herein of the Governor's Public Building Foundation, Inc., for the period of July 1, 2004 to June 30, 2006. The Foundation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Foundation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 8, 2007

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC. SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES As Of And For The Years Ended June 30, 2005 And 2006

	2005		2006	
Cash and investments, July 1	\$	359	\$	42,275
Receipts: Contributions		42,172		671,523
Proceeds from Fundraisers				15,535
Event Revenue		6,300		2,000
Total receipts		48,472		689,058
Disbursements:				
Interior Improvements		-		359,086
Exterior Improvements		-		107,096
Furniture		-		92,882
Fundraiser Expenses		-		17,331
Catering		4,966		11,290
Household Goods and Decorations		84		10,798
Entertainment		1,251		4,980
Miscellaneous		145		4,237
Postage		-		3,520
Bank Fees		110		111
Total disbursements		6,556		611,331
Excess of receipts over disbursements		41,916		77,727
Cash and investments, June 30		42,275	\$	120,002

The accompanying notes are an integral part of the schedule.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC. NOTES TO SCHEDULE

Note 1. Introduction

The Governor's Public Building Foundation, Inc., was established by Governor Executive Order 98-23. The Foundation was created to assure expanded and effective operation, maintenance and use of public buildings, sites and structure for the inclusion of greater numbers of Hoosiers in the public life of the State.

Note 2. Fund Accounting

The Foundation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Note 4. Subsequent Event

In October and November 2006, the Governor's Public Building Foundation received two payments from Jackson's Auction and Real Estate Company totaling \$61,982 in proceeds from the sale of Governor's Residence goods in the form of an auction held on September 30, 2006.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC. EXAMINATION COMMENTS JUNE 30, 2006

INTERNAL CONTROL

The accounting functions of the Governor's Public Building Foundation, Inc., are completed by one employee. This is considered an internal control weakness. To mitigate this condition, at a minimum, the ledgers and reconcilements should be reviewed by a responsible official.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Even though the funds are accounted for, depository reconciliations of the fund balances to the bank account balances were not completed in a timely manner.

Each agency, department, institution or office that does not use the state's accounting system or have funds outside the system must maintain appropriate accounting records and controls. This includes performing monthly bank statement reconciliations. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

CASH BOOK

The Governor's Public Building Foundation, Inc. does not maintain a cash book to record funds received.

Indiana Code 5-13-5-1(a) states:

"Every public official who receives or distributes public funds shall:

- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

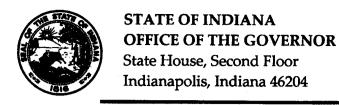
DAILY DEPOSITS

The Governor's Public Building Foundation, Inc. did not consistently deposit receipts for the Foundation within the following business day.

Indiana Code 5-13-6-1(b) states in part: "... all public funds... shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

GOVERNOR'S PUBLIC BUILDING FOUNDATION, IN	۷C.
EXIT CONFERENCE	

The contents of this report were discussed on January 24, 2007, with K. Philipp Wickizer, Associate Counsel, Office of the Governor; and Jill Burleson, Secretary Administrator. The official response has been made a part of this report and may be found on page 8.



August 20, 2007

Mr. Bruce A. Hartman, State Examiner Indiana State Board of Accounts 302 West Washington Street, Room E418 Indianapolis, Indiana 46204

Re: Response to Audit of Governor's Public Building Foundation, Inc.

Dear Mr. Hartman,

The Governor's Public Building Foundation, Inc. agrees with the findings and has now implemented all of the recommended guidelines set forth in the report.

Sincerely,

Anita K. Samuel

Assistant General Counsel Office of the Governor

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